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REPORT OF THE ECONOMIC AND SOCIAL COUNCIL

Letter dated 1 April 1996 from the Permanent Representative of Germany to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the report of the Regional Conference on the Role of Public Administration in Promoting Economic Reform in Eastern and Central European Countries, held in Berlin from 24 to 26 January 1996 (see annex)*.

The Conference was organized by the Department for Development Support and Management Services of the United Nations Secretariat, in cooperation with the German Foundation for International Development. It was supported by the Government of Germany through the Foundation as a contribution to the activities relating to the work of the General Assembly at its resumed session on public administration and development.

I should be grateful if you would have the text of the present letter and its annex circulated as a document of the General Assembly, under agenda item 12.

(Signed) Tono EITEL
Ambassador

* The annex is being circulated in the language of submission only.

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ANNEX

Report of the Regional Conference on the Role of Public Administration in Promoting Economic Reform in Eastern and Central European Countries

INTRODUCTION

1. Modernizing and reforming the administrative system is an essential component of the economic and social transformation currently taking place in Eastern and Central European countries. Public administration reform is a sine qua non for development and needed to facilitate the transition of Eastern and Central European countries from a centrally planned to a free-market economy, as well as their integration into the global economy. Related to this process is the task of redefining the role of the State and of public administration. It is generally agreed that the State must change its role from one of direct involvement in production to the functions of development, regulation and the maintenance of an enabling framework. This shift requires considerable modifications in the State machinery and promotion of new skills as well as the orientation of public officials to the changing demands of this new task environment. This considerable agenda for public sector reform was the focus of a meeting jointly sponsored by the United Nations Department for Development Support and Management Services, the United Nations Development Programme and the German Foundation for International Development (DSE). The DSE agreed to host the event in Berlin from 24 to 26 January 1996.

2. The Conference was the first of four regional meetings scheduled in preparation for the Resumed 50th session of the General Assembly on Public Administration and Development, which will be held in April 1996. Its objectives were defined by its organizers as follows:

(a) to analyze the administrative implications of economic reform, in transitional economies, especially in the areas of: policy planning and management; resource mobilization and public expenditure management; legal and institutional frameworks; and civil service reform and training;

(b) to compare the progress accomplished in these countries in dealing with the above challenges;

(c) to review the relevant experience of selected aspects of the developed economies in relation to the four main topics, which are applicable to economies in transition; and

(d) to identify the major issues in administrative reform and develop practical recommendations in this regard

3. Seventeen Member States of Eastern and Central Europe were invited and sixteen participated in this regional Conference. They were Albania, Armenia, Belarus, Bulgaria, Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, the Russian Federation, Slovakia, Slovenia and the Ukraine. Additionally, the following organizations were represented: the United Nations Secretariat, the United Nations Development Programme, the World Bank, the Economic Commission for Europe, the Programme SIGMA and the German Foundation for International Development (DSE). To ensure substantive inputs reflecting the total experience of developed Western countries, the UNDDSMS invited four consultants from France, the Netherlands, the United Kingdom and the United States respectively. The DSE contributed the services of a noted German scholar and of the Rapporteur.

4. The Conference took place against a backdrop of rapid change. A driving force for change is the breathtaking progress of science and technology which has paved the way for the growth of an information-based post-industrial society, the rise of global markets and the liberalization of the international economy. These several developments have opened new opportunities for international cooperation, and correspondingly, added to the pressures for institutional adjustments and reforms. Other contributing factors are the lingering global recession and, in more recent years, the decline of a management ideology which exerted considerable influence in large parts of the world during the early post-war decades. Key features of that ideology and the economic systems to which it was related were tight bureaucratic controls, centralized planning and administration and the State's direct involvement in the production of goods and services.

5. The combined effect of these trends has been visible on many levels. Aside from labour markets, these changes are transforming the world of organizations both in the private and public sectors. They have called for a new emphasis on cost-consciousness, efficiency and lean management. They are also giving rise to a new paradigm of a client-oriented and citizen-responsive public service, one whose structures, procedures and culture may be substantially different from those of previous years.

6. Participants were briefed on the progress of reforms which covered several areas from civil service structures, staff policies and training, to administration audit, tax legislation and privatization. Such inputs demonstrated a diversity of approaches on public administration and economic reform. As the pace of progress differed, so did the degree of implementation from country to country. All national experiences, on the other hand, appeared to recommend the need for a balanced approach, avoidance of extremes or spasmodic measures. They further highlighted the value of clear vision, long-term holistic strategies, stability, coherence and consistency in the pursuit of change. These, in turn, were predicated on building the capacity - both in terms of personnel and of institutional tools - for the complex tasks of planning and implementing reforms.

7. New skills had to be imparted and attitudes developed to carry out new functions and to displace a culture of risk avoidance and secrecy. Better coordination and information flows were also highly prized, but it was widely agreed that they should be the outcome of more effective mechanisms and closer integration, not steeper hierarchies and centralized control. Both participants and speakers emphasized the merits of flexible, pragmatic and undogmatic policies of deregulation and denationalization. They also took the view that privatization should be conducted in such a manner that it effectively introduces competition in the provision of services, and not establish private, in lieu of public, monopolies.

8. The State will not wither away. Indeed, it could be argued, that their deliberation bore weighty testimony to its enhanced significance. However, what the Meeting has

demonstrated is that the scope and structures of government and of the State - indeed their very nature - are changing very rapidly and will continue to evolve. The challenge that confronts us is how to smooth this process and guide the course of change, through democratic methods, towards constructive ends. A strong proactive government may not be necessarily one that is big. It is certainly not bureaucratic. Rather, what is required is a government less concerned with preemptive controls of all facets of national life, and less directly involved in - let alone monopolizing - the production of goods and services. Instead, participants felt that the ongoing transition from a centrally planned to a free market economy calls for a government more concerned with creating and sustaining an environment in which such goods and services can be produced efficiently to the satisfaction of citizens and clients. Such are governments of States which not only respect and protect the rights of private citizens, but also actively promote and facilitate their fulfillment in the form of diverse individual or group activities. This is a State that listens and communicates, a State whose civil service is responsive and accountable and whose decision-making processes are transparent and open to public participation and review.

9. More and more in all of Europe, we live in states where governments remain the dominant players, but are not alone in the field; and where the proliferation of non-state actors, taking a prominent part in civic affairs and economic activity, already constitutes a basic fact of life. Civil servants must be exposed and sensitized to this important development. They must be trained in the productive use of the private sector capabilities and promote its potential to accomplishing public purposes in a broad participative manner. This would include recourse to "farming" or "contracting out", franchises, competitive bidding and the constructive use of market mechanisms, in general.

10. In large parts of the globe, old bureaucratic structures and corresponding methods are slowly giving way to new, more innovative and user friendly ways of getting things done, in which the demarcation between government and governed can often be blurred. A State accustomed to thinking for its "subjects", telling them what to do, is now progressively learning new ways of interacting, soliciting advice and seeking the support of those directly concerned. The old top-down approaches are slowly being replaced by new patterns of administration, in

which deconcentration, decentralization and debureaucratization are prominently featured as paths which lead not only to greater efficiency and client satisfaction, but also to grass-roots democracy.

11. Of course, none of those paths are easy or risk free. For instance, several participants remarked on instances of dysfunctions arising from the initial drastic dismantlement of the old structures and setting up of new ones. Also, reference was made to measures which promoted decentralization, devolution and deconcentration, but which did not sufficiently take into account the need to preserve proper balance between central and local government on the one hand, and between the several layers of government on the other. Likewise, the gains secured through civil service reforms had been partly offset, in some cases, by the effects of braindrain and the rapid turnover of staff.

12. Is there a common ground? The Conference thought so. Its general conclusions, the product of exchanges both in the plenary sessions and at the group discussions, suggest that:

- What is needed is not less government, but *better* and *different* government;
- We need to redefine the respective spheres of State and non-state actors, i.e. the private sector and non-governmental organizations ("NGO's") and also build the mechanisms for better interaction, interface and cooperation between them. A "state of the union" report (or "governance report") would be helpful in highlighting such linkages;
- We also need to ensure that interactive processes of this type and the participation of groups from civil society in policy-making processes are not monopolized by strong, well-organized interest or pressure groups. Transparency of those processes is important in order to create positive reinforcement and synergy; effective cooperation of all actors is also critical;
- We need enabling frameworks of laws and regulations that generate stability, confidence and predictability, support individual initiatives and make the enforcement of rules and decisions possible;
- We also need to ensure the timely and universal dissemination of information on laws, decrees and policies. In this connection, clarity is of the essence. Clarity makes it possible for legal information to be disseminated and made widely known;

- There are four major areas, where legal action is required. First, it is necessary to establish property rights and to ensure their legal protection. Property rights must be asserted clearly and without ambiguities. Second, it is necessary to ensure competition; otherwise monopoly of the State in business activities will simply be replaced by the monopoly of private capital. Third, special attention should be paid to the protection of citizens' rights against the bureaucracy. This includes the development of administrative procedures, judicial review of the administration, and development of the institution of the ombudsman or its equivalent. Fourth, the importance of labour laws is crucial. ILO conventions that protect the rights of workers must be carefully reviewed and duly implemented. The prompt enforcement of rules is a prerequisite for a viable democratic order. Without it, even the best law remains without effect;

- We need to understand that privatization is not a goal in itself. It is an instrument to increase efficiency in society, to improve the use of available resources and to make market-oriented reforms irreversible. Ownership restructuring must be undertaken in accordance with conditions and priorities in different societies. The role of government is to create an enabling environment for the process of privatization. It requires transparency and openness of procedures; there is no market without transparency. The growth of a new private sector makes new demands upon the civil service and quite often requires new skills from public administrators. It is the responsibility of public administrators to create a system which is conducive to economic development for both the private and communal sectors;

- We also need to establish by law a clear separation of responsibilities between the central government and the local authorities. The latter should be vested with proper financial means, including tax powers and assets in accordance with their responsibilities;

- We need a civil service with a strong professional ethic and orientation, a high level of technical competence and administrative skills and a culture emphasizing the paramount importance of service to the community. High on the list of priorities is the need to infuse the prevailing culture in the public sector with the conviction that service to society and the citizen is the major *raison d'etre* of the civil service and to reinforce *responsiveness, transparency, impartiality, objectivity and accountability* as major professional values;

- We need to create conditions that favour the success of civil service reform. One such condition is support from public opinion; another underscores the need for cooperation among institutions engaged in civil service reform. Training is rightly viewed as an important strategy in this connection. Regional training programmes have a special role to play. International organizations (such as UN, the Programme SIGMA, EU) as well as bilateral programmes can reinforce the

quality of training by revamping and refining trainers' skills through programmes of training the trainers. The value of such programmes lies precisely in the fact that they create multiplier effects and expand the scope of training in the region,

- We also need to establish and to maintain the needed data bases for civil service management. Such data bases are valuable not only in the conduct of training, but also, in the development of civil service policy, the establishment of benchmarks, realistic standards and norms, etc. The exchange of information through communicating data bases as an important tool to further integration in Europe and beyond; and

- Lastly, we need to create a framework for effective resource mobilization and public expenditure management. In this regard, the Conference proposed that consideration be given to the following:

  (a) setting up of official export promotion agencies, e.g. facilitating participation at trade fairs, maintaining commercial representation abroad. These agencies usually remain in the public sector;

  (b) trade information centres, which compile basic information on main overseas markets, industrial standards and trade agreements. Such agencies, modelled on UNCTAD Trade Points, could ultimately be transferred into the private sector and be run by a business association; and

  (c) encouraging private companies to provide information on production/quality control assistance, final packaging and labelling, financial assistance etc.

With regard to public expenditure management the Conference recommended:

(a) where services can be specified, measured and monitored in a contractible form, governments may consider the redefinition of relationships between policy-makers and policy implementers in ways that would allow closer specification of service standards and targets, decentralization of appropriate managerial autonomy and performance-linked management incentives (rewards and penalties);

(b) greater attention to the potential, as the private sector expands, of contracting out selected government services to private firms and in-house agencies on a competitive basis. Some countries have claimed significant cost savings and quality improvements from this approach; and

(c) to transfer of some revenue-raising and expenditure authority from central to lower level governments.